ECON 3052 COURSE OUTLINE

COURSE CODE: ECON 3052

COURSE TITLE: Fiscal Policy and Economic Development

NO. OF CREDITS: Three (3)

LEVEL: III

PREREQUISITES: ECON 2002 and ECON 2003

COURSE DESCRIPTION

The course examines the impact of fiscal policy on economic activity with special reference to CARICOM/Caribbean economies. Some of the issues raised are the following: the role of state in the economy; the nature and implication of fiscal deficits; fiscal rules in theory and practice; and the appropriateness of orthodox stabilization policies (austerity measures). A special module examines theoretical and empirical issues of fiscal decentralization.

COURSE RATIONALE

This course exists as an attempt by the Department of Economics to provide graduates in economics with the requisite technical tools to analyze the impact of fiscal policy on the development of economies in the region.

INSTRUCTOR INFORMATION

Dr. Penelope Forde (Lecturer)
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Telephone #: 1 (868) 662-2002 ext. 83231 or 82630
Email Address: edmeeforde@gmail.com
Office Hours: by appointment (telephone # above)
Method of Contact: by appointment or via email (address above)
Dr. Althea La Foucade (Lecturer)
Office Address: Room 208, Department of Economics, Faculty of Social Sciences, UWI, St. Augustine Campus.
Office Telephone #: 1 (868) 662-9459/ 1 (868) 645-7351
Email Address: Althea.LaFoucade@sta.uwi.edu
Office Hours: by appointment (telephone # above)

Mrs. Roxanne Brizan-St. Martin (Instructor)
Office Address: Room 216, Department of Economics, Faculty of Social Sciences, UWI, St. Augustine Campus.
Office Telephone #: 1 (868) 662-2002 ext 83233
Email Address: Roxanne.Brizan@sta.uwi.edu
Office Hours: Mondays and Tuesdays 12 noon – 1:00 p.m. and Wednesdays 10:00 a.m. – 11:00 a.m.

Ms. Rani Bhajan (Tutor)
Email Address: rani_bhajan@yahoo.com

LETTER TO THE STUDENT

The student should be made aware that Fiscal Policy and Economic Development is actually a line of study concerned with the impact of fiscal policy on development outcomes. The course is designed to equip you with the tools necessary for analyzing the fiscal issues facing the developing countries in general and the Caribbean in particular.

CONTENT

1. Unit 1 – The Role of the State and Fiscal Policy
2. Unit 2 – Fiscal Policy and the Deficit Problem of Developing Countries
3. Unit 3 – Fiscal Policy and Structural Adjustment
4. Unit 4 – Fiscal Decentralization: Current Trends and Issues

LEARNING OUTCOMES

<table>
<thead>
<tr>
<th>Topic/Unit</th>
<th>Learning Outcomes</th>
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</thead>
<tbody>
<tr>
<td>Unit 1 – The Role of the State and Fiscal Policy</td>
<td>Students should be able to understand the changing perspectives of the role of the State over the twentieth and the first quarter of the twenty-first century. In 2009 the global financial crisis has led once more to some rethinking of the role of government. Students should also have a view of the State’s role in developing countries with special reference to CARICOM as well as an overview of fiscal policy and its impact on developing economies.</td>
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<tr>
<td>Topic/Unit</td>
<td>Learning Outcomes</td>
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| Unit 2 – Fiscal Policy and the Deficit Problem of Developing Countries | Students should be able to understand the following:  
• Different measurements of the fiscal deficit and how deficits are financed;  
• Impact of fiscal deficits/(surpluses) on interest rates, national savings, economic growth and resource use;  
• Reasons for fiscal deficits in developing as well as advanced economies;  
• Fiscal Vulnerability and Financial Crises;  
• Fiscal Rules in Theory and Practice;  
• Trends in internal and external debt; and  
• Debt Sustainability. |
| Unit 3 – Fiscal Policy and Structural Adjustment | In this module students are introduced to the concept of Tanzi’s Fiscal Disequilibrium and its consequences; the economics of structural adjustment policies; case studies of structural adjustment in the Caribbean; and critique of orthodox stabilization policies (austerity measures). |
| Unit 4 – Fiscal Decentralization: Current Trends and Issues | Students should be able to: define concepts of fiscal federalism, fiscal and administrative decentralization; discuss issues relating to the provision of public goods in multilevel systems of government; discuss the assignment of tax bases at different levels of governments; intergovernmental transfers and examine at least two case studies of fiscal decentralization. |

**COURSE ASSESSMENT**

The course will be assessed via a coursework assignment that will account for 25% of the final grade as well as a final examination that will account for the remaining 75% of the final grade. The coursework assignment will be distributed on **Tuesday, January 30, 2018** and will be due on **Thursday, March 29, 2018 at 4:00 p.m.** at the Department of Economics.

**TEACHING STRATEGIES**

Teaching will primarily take place through descriptive face to face lecture sessions and class discussions. Lectures will be conducted on Tuesdays between 8:00 a.m. to 10:00 a.m.

**RESOURCES/READINGS**

The main textbooks for the course are as follows:


Ramsaran, Ramesh, ed. 2004. The Fiscal Experience in the Caribbean – Emerging Issues and Problems. Caribbean Centre for Monetary Studies (CCMS), the University of the West Indies (UWI), St. Augustine. **Chapters 1-8 and Chapter 10.**

This will be supplemented by handouts during the semester.


The readings for each Unit are as follows:

<table>
<thead>
<tr>
<th>Unit</th>
<th>Readings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Tanzi, Vito, “The Role of the State and the Quality of the Public Sector”, IMF Working Paper WP/00/36</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Feldstein, Martin S., “Rethinking the Role of Fiscal Policy”, AER Papers and Proceedings, May 2009 pp.556-559</strong></td>
</tr>
</tbody>
</table>

**Additional Reading (Optional)**
Trinidad and Tobago IMF Article IV Consultation Reports (latest issue)  
**Additional Reading (Optional)**  
| --- | --- |
Theodore, Karl, “Fiscal Policy in the Caribbean: Where Do We Go from Here” in J. La Guerre (ed) *Structural Adjustment* |
### Tanzi, Vito, “Fiscal Disequilibrium in Developing Countries” *World Development* Vol.10 No.12 pp.1069-1082, 1982

### Hilaire, Alvin, “Caribbean Approaches to Economic Stabilization” *IMF Working Paper* WP/00/73

### Fiscal Adjustment for Stability and Growth, 2006, IMF Pamphlet Series No.55

### IMF Letters of Intent (For Selected Countries)

### Additional Reading (Optional)


### Unit 4 - Fiscal Decentralization: Current Trends and Issues


### Additional Reading


COURSE CALENDAR

<table>
<thead>
<tr>
<th>Week(s)</th>
<th>Topic/Unit</th>
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<tbody>
<tr>
<td>1 - 3</td>
<td>Unit 1 – The Role of the State and Fiscal Policy</td>
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<tr>
<td>4 - 6</td>
<td>Unit 2 – Fiscal Policy and the Deficit Problem of Developing Countries</td>
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<tr>
<td>7 - 9</td>
<td>Unit 3 – Fiscal Policy and Structural Adjustment</td>
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<tr>
<td>10 - 12</td>
<td>Unit 4 – Fiscal Decentralization: Current Trends and Issues</td>
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<tr>
<td>13</td>
<td>Review</td>
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ADDITIONAL INFORMATION

Please take note of the UWI Examination Regulation No. 19 which states that:

“Any candidate who has been absent…or whose attendance at prescribed lectures, classes, tutorials,… has been unsatisfactory…or who has failed to submit essays or other exercises…may be debarred by the relevant Academic Board, on the recommendation of the relevant Faculty Board…from taking any University examinations…”

The Department of Economics/Faculty of Social Sciences requires students to attend and participate in at least 75% of tutorials for a course to avoid being debarred from taking the final exam.

Also, take note of the UWI Examination Regulation No. 97 as it relates to cheating:

(i) Cheating shall constitute a major offence under these regulations;
(ii) Cheating is any attempt to benefit one’s self or another by deceit or fraud;
(iii) Plagiarism is a form of cheating;
(iv) Plagiarism is the unauthorized and/or unacknowledged use of another person’s intellectual effort and creation howsoever recorded including whether formally published or in manuscript or in typescript or other printed or electronically presented form and includes taking passages, ideas or structures from another work or author without proper and unequivocal attribution of such source(s) using the conventions for attributions or citing used in this University.
HOW TO STUDY FOR THIS COURSE

Students should keep up to date with the course material via the suggested readings as well as the lecture notes. Consultation with the course lecturer during office hours is also strongly recommended.

GRADING SYSTEM

The authorized marking scheme for examinations in the Faculty of Social Sciences is as follows:

<table>
<thead>
<tr>
<th>Grade</th>
<th>GPA</th>
<th>Marks (%)</th>
</tr>
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<tr>
<td>A-</td>
<td>3.7</td>
<td>75-79</td>
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<tr>
<td>B+</td>
<td>3.3</td>
<td>70-74</td>
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<tr>
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<tr>
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